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SECURITIES AND EXCHANGE COMMISSION

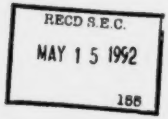
WASHINGTON, D.C. 20549

J 1/4 92-22256

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992. Commission file number 0-19339



EDMARK CORPORATION

(Exact name of Registrant as specified in its charter)

Washington	91-0858263
(State of Incorporation)	(I.R.S. Employer Identification No.)
6727 185th Ave. N.E., Redmond, WA	98052
(Address of Principal Executive Offices)	(Zip Code)

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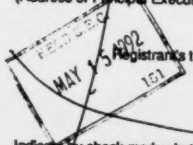

Registrant's telephone number, including area code (206) 861-8200

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

As of March 31, 1992, there were 2,345,317 shares outstanding of the Registrant's Common Stock, no par value.

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EDMARK CORPORATION

FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

EDMARK CORPORATION

Condensed Balance Sheets

March 31, 1992 and June 30, 1991

Assets	March 31, 1992 (unaudited)	June 30, 1991
Current Assets:		
Cash and cash equivalents	$ 579,991	$ 26,791
Trade accounts receivable, net	617,310	746,629
Inventories	958,853	819,602
Prepaid expenses	449,205	258,260
Deferred Federal income taxes	26,687	26,687
Total current assets	2,632,046	1,877,969
Equipment, at cost	660,593	465,574
Less accumulated depreciation	352,617	304,155
Net equipment	307,976	161,419
Other Assets:		
Intangible assets, net	25,552	44,716
Capitalized software costs, net	334,643	88,785
Deposits	33,946	38,446
Notes Receivable	85,693	
Total other assets	479,834	171,947
	$3,419,856	$2,211,335

See accompanying notes to condensed financial statements.

EDMARK CORPORATION

Condensed Balance Sheets
(Continued)

	March 31, 1992 (unaudited)	June 30, 1991
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable to bank	$ -	$ 144,767
Trade accounts payable	296,254	381,359
Accrued liabilities	85,235	131,039
Accrued compensation	60,412	149,531
Federal income taxes payable	18,506	146,773
Total current liabilities	460,407	953,469
Stockholders' equity:		
Common stock, no par value	2,589,770	1,109,137
Retained earnings	369,679	148,729
Total stockholders' equity	2,959,449	1,257,866
	$3,419,856	$2,211,335

See accompanying notes to condensed financial statements.

EDMARK CORPORATION

Condensed Statements of Earnings
(unaudited)

Three Months and Nine Months Ended March 31, 1992 and 1991

	1992		1991	
	Three Months	Nine Months	Three Months	Nine Months
Net sales	$1,340,869	$3,979,734	$1,023,453	$2,893,370
Cost of sales	515,449	1,498,942	377,291	1,023,415
Gross profit	825,420	2,480,792	646,162	1,869,955
Operating expenses:				
Sales and marketing	362,908	1,017,627	217,863	692,402
General and administrative	366,743	1,061,838	348,712	835,727
Research and development	11,686	85,693	34,413	95,755
Total operating expenses	741,337	2,165,158	600,988	1,623,884
Operating income	84,083	315,634	45,174	246,071
Interest income (expense), net	8,518	26,701	(2,349)	(13,328)
Earnings before Federal income tax expense	92,601	342,335	42,825	232,743
Federal income tax expense	33,484	121,384	13,704	66,104
Net earnings	$ 59,117	$ 220,951	$ 29,121	$ 166,639
Net earnings per common share	$.02	$.10	$.02	$.09
Weighted average number of common shares outstanding	2,417,880	2,308,320	1,814,848	1,813,714

See accompanying notes to condensed financial statements.

EDMARK CORPORATION
Condensed Statements of Cash Flows
(unaudited)

	Nine months ended March 31, 1992	1991
Cash flows from operating activities:		
Net earnings	$ 220,951	166,639
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	79,468	72,034
Compensation expense related to issuance of common stock	-	8,125
Changes in certain assets and liabilities:		
(Increase) decrease in accts. rec.	129,318	(5,985)
(Increase) decrease in inventories	(139,251)	24,935
Increase in prepaid expenses	(190,945)	(172,235)
(Decrease) Increase in trade accts. pay.	(85,105)	5,136
Decrease in accrued liabilities	(45,804)	(28,068)
(Decrease) increase in accrued compensation	(89,119)	134,584
(Decrease) increase in income taxes payable	(128,267)	61,104
Total adjustments	(469,705)	99,630
Net cash (used in) provided by operating activities	(248,754)	266,269
Cash flows from investing activities:		
Purchase of equipment	(199,424)	(30,987)
Increase in capitalized software costs	(253,295)	-
Increase in notes receivable	(85,693)	-
(Increase) decrease in deposits	4,500	(46,941)
Net cash used in investing activities	(533,912)	(77,928)
Cash flows from financing activities:		
Decrease in net borrowing under line-of-credit agreement	(144,767)	(178,690)
Proceeds from issuance of common stock	1,480,633	-
Net cash provided by (used in) financing activities	1,335,866	(178,690)
Net increase (decrease) in cash and cash equivalents	553,200	9,651
Cash and cash equivalents at beginning of period	26,791	20,184
Cash and cash equivalents at end of period	$ 579,991	$ 29,835

See accompanying notes to condensed financial statements.

EDMARK CORPORATION

Notes to Condensed Financial Statements

(1) The unaudited condensed financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The accompanying condensed financial statements and related notes should be read in conjunction with the financial statements and notes thereto included in the Company's 1991 Annual Report to Shareholders.

The information furnished reflects, in the opinion of the management, all adjustments, consisting of only normal recurring accruals, necessary for a fair presentation of the results for the interim periods presented.

(2) Certain reclassifications have been made in the fiscal 1991 financial statements in order for them to conform to the fiscal 1992 presentation.

(3) The components of inventory consist of the following:

	March 31, 1992 (unaudited)	June 30, 1991
Work in Process	$498,675	$488,937
Finished Goods	460,178	330,665
	$958,853	$819,602

(4) Per share information is based on the weighted average number of common shares and equivalents outstanding during each period as presented in the condensed statement of earnings. When dilutive, common stock equivalents are calculated under the treasury stock method.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Edmark is a publisher and distributor of educational software and materials, with over 20 years experience in the development of early learning products for the classroom and home. The Company also produces and distributes the TouchWindow, a touch screen input device that attaches to computer monitors with velcro. The Company specializes in the early childhood, special education and remedial market segments.

For the third quarter of fiscal 1992, net sales were $1,340,869, an increase of 31% over net sales of $1,023,453 in the same quarter last year. Net earnings for the period were $59,117, or $.02 per share, compared to net earnings of $29,121, or $.02 per share, for the third quarter last year. Earnings per share were the same as the prior period because the average number of shares outstanding in the current quarter (including equivalents for dilutive effects of options) increased from 1,814,848 shares to 2,417,880 shares. The increase in the average number of shares outstanding resulted from the Company's sale of common stock in August 1991.

Sales increased in all categories of products for the current period. Edmark's software and new product sales contributed strongly to the sales growth for the period. The Company's addition of exclusive distribution rights to the Dormac line of reading products in April 1991 contributed slightly more than one third of the sales gain for the quarter as well as year-to-date. Beginning in the fourth quarter of fiscal 1992, the Dormac line will be reflected in both the year ago and current quarter numbers for the first time. The Company was also pleased with the response to the Macintosh TouchWindow which the Company released in December, 1991 and which accounts for half of the increased sales in the TouchWindow line for the quarter.

Cost of sales increased from 36.9% of sales in the year ago third quarter to 38.4% in the third quarter of fiscal 1992. Therefore, the gross margin for the quarterly period was 61.6% compared to 63.1% in the prior period. The new Dormac line of products and the growth in non-proprietary software products were the primary factors that contributed to a lower gross margin. Although margins in the Dormac and non-proprietary product lines were at planned levels, these products have lower margins than other Edmark products.

Total operating expenses increased during the third quarter of fiscal 1992, but decreased as a percentage of sales from 58.7% of sales in the third quarter of fiscal 1991 to 55.3% of sales in the third quarter of fiscal 1992. The increase is mainly attributable to expenses associated with increased sales volume, additional marketing expenses of approximately $55,000 (primarily those related to the planned retail launch of the Company's new preschool

educational products) and increased overhead related to the Company's move to a new office and warehouse facility on August 30, 1991. The prior year general and administrative expenses included severance accruals of $38,000.

In February 1992, the Company entered into an agreement to provide its landlord with up to $200,000 for tenant improvements related to the Company's move into the mezzanine floor of its current building during the fourth quarter of fiscal 1992. This note is to be repaid in monthly installments of $4,980 beginning June 1, 1992. The Company has obtained a bank commitment for a $200,000 term loan secured by tenant improvements to support this agreement.

The Company's working capital amounted to $2,171,639 at March 31, 1992, which represented an increase of $1,247,139 from working capital at June 30, 1991. The increase was primarily attributed to the Company's sale of common stock in August 1991.

Generally, the Company funds its business from cash generated by operations and a bank line of credit. The Company's business has a seasonal trend, with the first and fourth quarters of the fiscal year accounting for approximately 60% of net sales. Effective November 1, 1991, the Company renewed and increased to $1,300,000 its revolving line of credit to meet seasonal cash needs of its business. The line of credit is secured by inventory and accounts receivable. At March 31, 1992, no amount was outstanding on the line of credit.

On August 26, 1991, the Company completed a private placement sale of 530,501 shares of common stock at $3 per share which yielded net proceeds of $1,480,633. Those funds are being used for product development, retail launch of the Company's new preschool educational products and to finance expansion of the Company's office and warehouse facility.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

Not Applicable

Item 2 - Changes in Securities

Not Applicable

Item 3 - Defaults Upon Senior Securities

Not Applicable

Item 4 - Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5 - Other Information

Not Applicable

Item 6 - Exhibits and Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Edmark Corporation
(Registrant)

Date	
May 12, 1992	Sally G. Narodick Chairman and Chief Executive Officer
May 12, 1992	Fred G. McCulloch Secretary, Treasurer and Principal Financial Officer